African Development Bank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlook

Long-Term IDR	Stable

Financial Data

African Development Bank

	31 Dec 16	31 Dec 15
Total assets (USDm)	39,961	35,125
Total assets (XUAm)	29,727	25,346
Equity to adj. assets (%)	22.9	26.7
Average rating of loans & guarantees	BB	BB
Impaired loans ratio (%)	3.7	4.1
5 largest exposures to total exposure (%)	35.7	35.1
Share of non-sovereign exposure (%)	24.5	26.9
Net income/equity (%)	0.38	-0.49
Average rating of key shareholder	BBB+	BBB+

Related Research

Eastern and Southern African Trade and Development Bank (TDB) (November 2017)

Banque Ouest Aficaine de Developpement (BOAD) (June 2017)

Analysts

Eric Paget-Blanc
+33 1 44 19 91 33
eric.pagetblanc@fitchratings.com

Vincent Martin
+44 20 3530 1828
vincent.martin@fitchratings.com

Key Rating Drivers

Strong Shareholder Support: African Development Bank (AfDB) enjoys strong support from its 80 member states, which include 26 non-African countries. Callable capital subscribed by member states rated 'AAA', the largest of which are the US, Germany and Canada, accounts for 21% of the total. This fully covered AfDB's end-2016 net debt, underpinning the 'aaa' assessment of shareholders' support capacity. Shareholders' strong propensity to support AfDB is illustrated by ongoing capital increases and the bank's important role in the region's financing.

Rising Debt: The fast growth in lending in the last two years has translated into a rapid increase in AfDB's indebtedness. Management has indicated that if there is no clear evidence of a capital increase within the next two years, it will curb lending growth to preserve the bank's solvency. However, if no capital increase is approved by 2019, debt will not be fully covered by callable capital from 'AAA' rated countries. This would place substantial pressure on Fitch Ratings' assessment of extraordinary support and hence on AfDB's issuer default rating (IDR).

Declining Capitalisation: AfDB's capitalisation is strong, but declining as a result of the rapid growth in lending. In addition, internal capital generation has been affected by the negative impact of low interest rates on the pension scheme and the high costs of relocation to Abidjan. The bank's equity/assets ratio decreased to 23% in 2016 from 27% in 2015. Based on the current trend, the ratio is projected to decline further in the coming years, although AfDB is still receiving annual instalments from its 6th (2010) general capital increase.

Pressure on Asset Quality: The relatively high risk profile of borrowers (average rating of 'BB') is mitigated by the bank's preferred creditor status (PCS). However, rapid growth in private-sector financing (24.5% of total exposure in 2016) is affecting asset quality, as private-sector loans have a high and rising impairment rate. Asset quality is also being affected by the growth in lending to low income countries. Fitch projects a decrease in the average rating of loans and an increase in the impaired loans ratio over the medium term.

Excellent Liquidity: Coverage of short-term debt by liquid assets is excellent at 2.9x. However, Fitch notes that the share of the portfolio invested in securities or bank placements rated 'AA−' or above (83% in 2016) is declining, although their quality is still assessed as excellent. Fitch understands that management intends to rebalance the treasury assets portfolio in order to increase the proportion of assets rated 'AA−' or above.

High-Risk Business Environment: The majority of African countries are classified as low-income by the World Bank. The average income per capita and average rating of member states are the lowest of all regional multilateral development banks (MDBs), and they are subject to an overall high level of political risk. This largely offsets the high quality of the bank's governance and management as well as operational support from member states.

Rating Sensitivities

Increase in Debt: Coverage of net debt by callable capital from 'AAA' rated member states falling below 100% as a result of an increase in gross debt or a reduction in the proportion of liquid assets rated 'AA−' or above would be ratings negative, as would a downgrade of the ratings of AfDB's largest 'AAA' rated shareholders, although this scenario is more remote.

Weaker Intrinsic Rating: A marked deterioration in asset quality or increase in lending leading to a substantial decrease in capitalisation could bring the intrinsic rating below 'aa−', which would trigger a downgrade, as the uplift from extraordinary support is currently at the maximum.

Intrinsic Rating Assessment

Indicative value	Assessment
Solvency	aa
Liquidity	aaa
Business environment	High risk; −1
Intrinsic rating	aa-

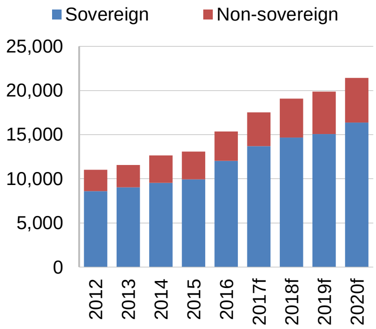
Source: Fitch

Countries Eligible for AfDB Lending

Countries eligible for AfDB loans: Algeria, Angola, Botswana, Cabo Verde, Congo (Republic of), Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Nigeria, Seychelles, South Africa, Swaziland and Tunisia
Countries eligible for a blend of AfDB and ADF loans: Cameroon, Kenya and Zambia
Countries with limited access to AfDB loans: Burkina Faso, Côte d'Ivoire, Ethiopia, Rwanda, Senegal, Tanzania and Uganda

Source: AfDB, Fitch

Outstanding Gross Loans
2012-2020 (XUAm)



Source: AfDB, Fitch

Related Criteria

Supranationals Rating Criteria (May 2017)

Business Environment

AfDB is a regional MDB operating in Africa. Financing is exclusively provided to the bank's 54 African member states and to non-sovereign entities based in these countries; it takes the form of sovereign-guaranteed loans (73% of the total banking portfolio at end-2016), loans to the private sector and equity participations. AfDB is based in Abidjan, Côte d'Ivoire (B+/Stable) and had staff of 1,864 at end-December 2016.

Sovereign loans granted by AfDB are non-concessional, ie their interest rate reflects the bank's cost of funding plus a fixed margin. Loans to the private sector also incorporate a premium reflecting the borrower's risk profile. Only 17 countries are eligible for sovereign loans, as AfDB's loans are only granted to middle-income countries. Lower-income countries can obtain concessional loans granted by the African Development Fund (ADF) and the Nigerian Trust Fund (NTF), two funds managed by AfDB but financially and legally independent. ADF and NTF are not consolidated in AfDB's accounts and are funded mostly by donors and, to a lesser extent, by allocations from AfDB.

AfDB's business environment is assessed as 'High Risk', leading to a downward adjustment of one notch over the solvency and liquidity assessment.

Business Profile

In Fitch's view, AfDB's business profile is 'Medium Risk'.

AfDB's banking operations are modestly sized compared to other regional MDBs, and assessed as 'Medium Risk'. The banking portfolio, which comprises loans, equity participations and guarantees, amounted to XUA16.5 billion at end-2016[1].

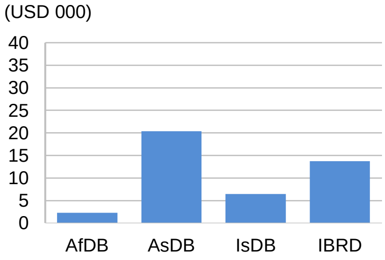
In the last few years, the bank's strategy has become more aggressive and is now assessed as 'High Risk' by Fitch. Loan approvals have markedly increased in the last two years, rising from XUA3.05 billion in 2014 to XUA6.1 billion in 2016, and the quality of the portfolio is deteriorating as a result of the growing share of lending to poor countries (see *Risks*). The bank has also markedly increased lending to the private sector, which involves a higher level of risk. Non-sovereign lending accounted for 24.5% of total exposure at end-2016, leading to an assessment of 'Medium Risk'. Management expects to bring the share of non-sovereign borrowers in annual loan approvals to 40% in the medium term.

Although it initially projected to maintain loan approvals above XUA6 billion per year, management has indicated that approvals will be curbed in 2018 (XUA4 billion) in order to maintain the portfolio below XUA20 billion by 2019, unless a general capital increase is approved, which would grant the bank more lending headroom. Management also expects to develop "blended financing", involving a larger participation from private lenders and reducing capital requirements.

Governance is assessed as 'Low Risk', as AfDB uses best-practice governance rules. Corporate governance is based on the same principles as at other regional MDBs. The main governing body is the board of governors (BoG), which comprises a representative of each member state. The BoG delegates the day-to-day management of the bank to the board of directors (BoD), which represents the permanent executive body of the bank. Among other things, the BoD approves all loans made by the bank. Bank management comprises seasoned professionals, and is considered of high quality by Fitch; however, the rapid rise in administrative costs has raised some questions over management's capacity to maintain a high level of operating efficiency.

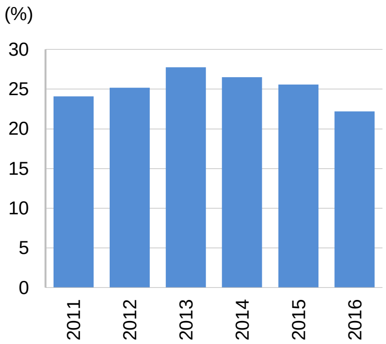
[1] Accounts are denominated in Units of Accounts (XUA), a currency basket equivalent to the IMF's Special Drawing Rights (SDR).

Average GDP Per Capita Across Countries of Operation



Source: World Bank - World Development Indicators, Fitch

Equity to Assets Ratio (%)



Source: Fitch

Operating Environment

Fitch assesses AfDB's operating environment as 'High Risk', reflecting the overall weak credit quality and high risk profile of African countries.

The average rating of AfDB's countries of operation is 'High Risk', due to the low average rating of the 54 African countries; it is estimated at 'B' by Fitch, the lowest of all regional MDBs. As of end-September 2017, only five countries were rated investment-grade by Fitch.

Countries of operations are also characterised as 'High Risk' by income per capita – half of Africa's countries are classified as 'Low Income', and average income per capita, at USD2,253 (the lowest among regional MDBs), falls in the low-income category. Political risk is considered 'High', based on World Bank indicators and on Fitch's analysis of the overall political situation of the African countries it rates.

The political risk in the country of head office (Côte d'Ivoire) is 'High Risk'. Côte d'Ivoire was subject to civil war in the 2000s, which obliged AfDB to relocate to Tunisia from 2003 to 2014, and its political risk ranking on the World Bank scale is weak.

Operational support is 'Medium Risk'. African countries have granted AfDB immunities and exemptions common to all MDBs. However, despite the importance of the bank's mandate, these countries' capacity to intervene to bring operational support is limited.

Solvency

AfDB's solvency is assessed at 'aa', reflecting its 'Strong' capitalisation and 'Low' level of risk.

Capitalisation

Capitalisation is 'Strong', but on a rapidly declining trend. The equity/assets ratio declined to 22.9% in 2016 – a historical low – from 29.1% in 2013. Given the surge in loans approved in the last three years, this ratio will continue to decline in 2017 and 2018, and will near 20% in 2019. Its evolution in 2019 and onward will depend upon the capacity of management to curb lending and/or to secure a capital increase.

The risk capital utilisation rate (RCUR, AfDB's key solvency metric) increased from 62% to a historical peak of 75% in 2016; it is capped at 100% by internal rules, with an operating limit of 90%, at which management would start discussion on capital increase and curb lending growth. This threshold may be met in 2018/2019, unless lending is stabilised or capital increased.

Leverage is carefully monitored. AfDB has set an internal limit, whereby outstanding debt cannot exceed the sum of equity and callable capital provided by shareholders rated at least 'A−'. However, other banks generally refer to callable capital rated above 'AA−', making this limit less conservative than other MDBs.

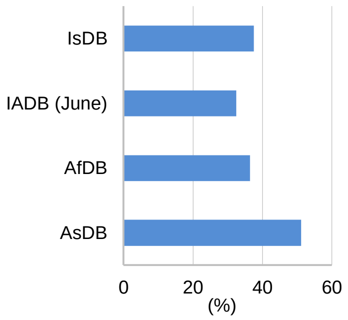
Peer Comparison: Capitalisation

	AfDB (AAA)		AsDB (AAA)	EBRD (AAA)	IsDB (AAA)
	End-2016	Projection[a]	End-2016	End-2015	End-2016
Equity/adjusted assets (%)	22.9	22.5	38.4	25.8	46.2
Comprehensive income/ average equity (%)	-2.7	0.5	0.02	3.4	3.7

[a] Long-term projections
AsDB: Asian Development Bank; EBRD: European Bank for Reconstruction and Development; IsDB: Islamic Development Bank
Source: MDBs, Fitch calculations, estimates and methodology

AfDB's internal capital generation is low (return on equity (ROE) of 0.38% in 2016, after distribution), reflecting pressure to distribute earnings to various funds (such as ADF, Post-Conflict Countries), although distributions were reduced in 2016 (to UAX95 million from UAX124 million in 2015).

Cost to Income Ratio (%)
End-2016



Source: Fitch

The low-interest-rate environment has had an adverse effect on the bank's profitability, as evidenced by the negative trend observed for the ROE. In addition, due to the drop in rates, a sizeable actuarial loss on the pension plan (UAX174 million), which is based on the defined-benefit principle, generated a loss on comprehensive income in 2016.

Risks

Risks are assessed as 'Low'.

Risks Assessment

Indicative value	Risk level
Credit Risk	Moderate
Concentration	Low
Equity risk	Low
Market risks	Very low
Risk mgmt policies	Excellent

Source: Fitch

Risk management policies are assessed as 'Excellent'. Like other MDBs, AfDB is not subject to banking supervision. Rather, the BoG and the BoD impose a comprehensive set of internal indicators and limits, in particular in the areas of funding, liquidity and capitalisation (see below). They are in line with those at other 'AAA' rated regional MDBs. AfDB's risk management policies and procedures are deemed conservative. However, in Fitch's view, the change in credit policy in 2014 to allow low-income countries to borrow directly from AfDB constitutes a shift toward less conservative risk management policies.

Key Internal Prudential Ratios

	Limit	2016	2015
Debt to shareholders' equity + callable capital rated A− or above (%)	100	73	58
Loans + equity investments + guarantees to subscribed capital + equity (%)	100	35	28
Liquid assets[a] to net cash requirement[b] for 1 year	1.0	1.2	1.2
Risk capital utilisation rate (%)	100	75	62

[a] Defined as 'eligible liquidity' by the bank
[b] Debt service + net loan disbursement + committed guarantees + undisbursed equity investments
Source: MDBs, Fitch calculations, estimates and methodology

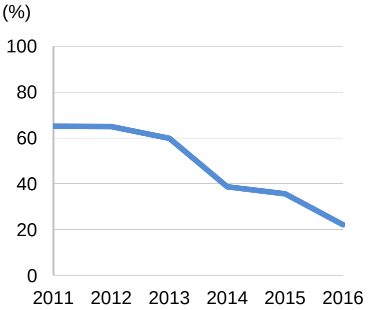
Credit risk is assessed as 'Moderate'. The average rating of loans was stable at 'BB' in 2016, in line with the level at regional peers. However, Fitch anticipates a deterioration to 'BB−' by 2020, due to the overall weakening credit quality of African borrowers, the growth in lending to poor countries, and the expected increase in private-sector financing.

The drop in commodities prices has had an overall negative impact on the credit quality of sub-Saharan African sovereigns. Several countries have been downgraded since 2015, including Angola (B), Gabon (B), South Africa (BB+) and Nigeria (B+). In addition, two countries have defaulted on their international bonds: Mozambique (RD) and Republic of Congo (CC). In 2014, the BoD amended credit policy to permit some countries eligible to ADF loans to have access to AfDB resources: Burkina Faso (not rated), Côte d'Ivoire (B+), Ethiopia (B), Republic of Congo (CC), Rwanda (B+), Senegal (not rated), Tanzania (not rated) and Uganda (B+). The disbursement of loans to these countries will accelerate in the coming years, which will have an adverse effect on the average rating of the portfolio.

AfDB's impaired loan ratio – at 3.7% in 2016 – is higher than regional peers', and should increase further in the coming years, as a result of the projected growth in private-sector lending, while no repayment is expected in the short term from the three sovereigns in arrears to the bank (Somalia, Sudan and Zimbabwe). Impaired loans for non-sovereign borrowers accounted for 7.6% of the portfolio at end-2016 (6.5% at end-June 2017). However, part of this exposure could be covered by guarantees from the newly created Private Sector Facility, which has received capital from ADF.

Like other MDBs, AfDB enjoys PCS, which, in principle, gives it priority over other creditors in the event of a default or restructuring of a sovereign loan. However, despite the large share of sovereign lending (75% of exposure), Fitch assesses the bank's protection from PCS and other credit risk mitigants as 'Moderate'. Indeed, AfDB has not always benefited from preferred treatment versus other MDBs, as evidenced by the arrears on Zimbabwe and Sudan, two countries that are servicing loans from some other MDBs, or Côte d'Ivoire, which defaulted on its AfDB loan while being current on its debt to other local MDBs.

5 Largest Exposures to Total Banking Exposure



Source: Fitch

Peer Comparison: Risks

	AfDB		AsDB	EBRD	IsDB
	End-2016	Projection[a]	End-2016	End-2015	End-2016
Estimated average rating of loans & guarantees	BB	BB−	BB+	B+	B+
Impaired loans/gross loans (%)	3.7	4.0	0.0	5.6	2.0
Five largest exposures (after exposure swap)/total banking exposure (%)	35.7	31.0	49.3	11.8	30.7
Equity stakes/total banking exposure (%)	4.4	5.0	0.8	18.1	12.1

[a] Long-term projections
Source: MDBs, Fitch calculations, estimates and methodology

Concentration risk is ‘Low’, with the five largest exposures – after exposure exchange agreements (EEAs) – accounting for 35.7% of total loans at end-2016, compared with 55.8% at end-2014. The EEAs signed in 2015 with other MDBs have considerably reduced overall credit risk concentration, as AfDB has reduced its exposure to North African countries, in particular Morocco (BBB−) and Tunisia (B+) – its two main borrowers – and taken exposures on non-African countries, the largest being Mexico (BBB+), Brazil (BB) and Argentina (B). The bank has set a country limit at 15% of its risk capital and a single-obligor limit for private borrowers at 6% of non-sovereign risk capital.

AfDB’s equity participations continued to rise in 2016, but represented only 4.4% of the banking portfolio. Fitch projects a modest rise to 5% of the portfolio, leading to an assessment of ‘Low’ for equity risk. The bank cannot hold more than 25% of a company’s capital, and its overall exposure cannot exceed 15% of the bank’s risk capital.

AfDB’s exposure to market risk is assessed as ‘Very Low’. Loans are denominated in convertible currencies (US dollars, euros, Japanese yen and South African rand) and are matched with liabilities in the relevant currency, using currency swaps. The bank also protects its balance sheet from fluctuations in SDR (equivalent to XUA, in which the financial statements are denominated) by matching net assets with the basket of currencies of the SDR.

Interest rate risk is limited. Most of the bank’s loans and treasury assets are floating-rate and matched with corresponding borrowing through derivative instruments. Equity mostly finances fixed-rate loans and held-to-maturity treasury investments at fixed rates, limiting the vulnerability of the profit and loss account to fluctuations in interest rates.

To deal with the operational risk inherent to the location of its head office in Côte d’Ivoire, AfDB has put in place a business continuity plan, which includes back-up offices and data centres in South Africa and in Tunis.

Liquidity

Fitch assesses AfDB’s liquidity at ‘aaa’, supported by its excellent liquidity buffer and the very high quality of its treasury portfolio.

Liquidity Buffer

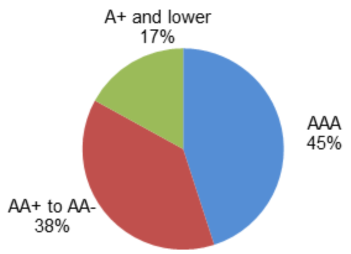
AfDB’s liquidity buffer is assessed as ‘Excellent’, with liquid assets covering short-term debt by 2.9x, one of the highest ratios in the MDB industry. We expect this ratio to remain well above the 1.5x threshold by 2020. The bank has set a stringent liquidity threshold, by which treasury assets must cover the next 12 months’ net cash requirements (including debt repayment). Despite large loan disbursements, the liquid asset cushion stood at 1.2 times net cash requirement for 1 year – based on AfDB’s definition - in 2016 which is above the prudential limit of 1x.

Quality of Treasury Assets

The quality of liquid assets remains 'Excellent', but eroded in 2016. The share of liquid assets rated 'AA−' and above had been reduced to 83% at end-2016 from 89% at end-2015 as a result of the inclusion of yuan-denominated securities and deposits, since this currency is now part of the SDR basket. Nevertheless, this ratio is at the high end of the range for 'AAA' rated MDBs.

According to the bank's investment guidelines, counterparties have to be rated at least 'A' for short-term investments, 'AA−' for medium- and long-term investments, and 'AAA' in some specific cases (structured products for instance, or public bonds with a maturity exceeding 15 years). Counterparties for derivative transactions must be rated at least 'A−'.

Breakdown of Treasury Assets by Rating



Source: Fitch

Access to Capital Markets and Alternative Sources of Liquidity

Market access remains 'Excellent'. AfDB is a frequent issuer on the international markets. Like other large regional MDBs, it does not have recourse to facilities from other banks or from a central bank. Funding is largely made up of long-term bond issues (average maturity of 4.2 years in 2016). This debt is, for the most part, denominated in hard currencies, and is then swapped to match liabilities to loans in currency. The average cost of debt is low: 0.4bp below Libor for USD issues and 17.9bp below Libor for EUR issues in 2016.

Peer Comparison: Liquidity

	AfDB		AsDB	EBRD	IsDB
	End-2016	Projection[a]	End-2016	End-2015	End-2016
Liquid asset/short-term debt (%)	294.7	260.0	170.0	212.9	222.1
Share of treasury assets rated 'AA−' & above (%)	83.0	95.0	69.2	59.7	11.6

[a] Long-term projections
Source: MDBs, Fitch calculations, estimates and methodology

Key Shareholders - rating as of 31 October 2017

	% of capital	Rating
Regional		
Nigeria	9.4	B+
Egypt	5.4	B
South Africa	4.9	BB+
Algeria	4.2	NR
Libya	3.7	NR
Others	32.0	
Total regional shareholders	**59.6**	
Non-regional		
United States	6.6	AAA
Japan	5.5	A
Germany	4.1	AAA
Canada	3.8	AAA
France	3.8	AA
Others	16.6	
Total non-regional shareholders	**40.4**	

Source: AfDB, Fitch

Shareholders' Support

Capacity to Provide Extraordinary Support

AfDB's 'AAA' rating is underpinned by both shareholders' support and the bank's intrinsic strength. Support largely comes from its 26 non-African shareholders, which owned 40.8% of capital at end-2016, and which, as a whole, enjoy high credit ratings. Key shareholders of the institution, defined by Fitch as shareholders whose cumulative shares represent at least 50% of capital, include a number of highly rated sovereigns, such as the US (AAA/Stable), Germany (AAA/Stable), Canada (AAA/Stable) and France (AA/Stable).

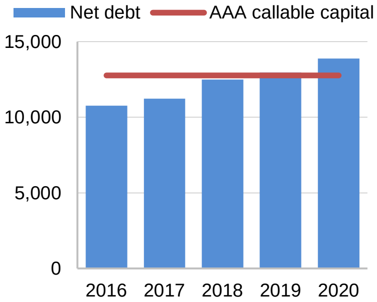
Peer Comparison: Shareholder Support

	AfDB		AsDB	EBRD	IsDB
	End-2016	Projection[a]	End-2016	End-2015	End-2016
Coverage of net debt by callable capital	AAA	AAA	AAA	BB−	AA
Average rating of key shareholders	BBB+	BBB+	A+	AA	BB+
Propensity to support	0	0	0	0	0

[a] Medium-term projections
Source: MDBs, Fitch calculations, estimates and methodology

Due to the overall low rating of AfDB's 54 African member countries, the average rating of key shareholders is 'BBB+'. The ratings of the largest African shareholders, Nigeria and South Africa, were downgraded in 2016 and 2017 (and Egypt in 2012), but this had no impact on Fitch's assessment of support, which relies upon the 'AAA' rated member states, all of which are non-regional.

Coverage of Net Debt by Callable Capital



Source: Fitch

Indeed, callable capital subscribed by 'AAA' shareholders fully covers the bank's net debt, defined as total debt minus treasury assets rated 'AA−' and above, which, in Fitch's view, underpins the highest support rating. Such callable capital accounted for 94.6% of subscribed capital at end-2016, and can be called by the bank in case of need.

Fitch notes that fast growth in lending in the last two years has translated into a rapid increase in AfDB's indebtedness. Management has indicated that if there is no clear evidence of a capital increase within the next two years, it is determined to curb lending growth to preserve the bank's solvency metrics. However, if no capital increase is approved by 2019, debt will not be fully covered by callable capital from 'AAA' rated countries. This would place substantial pressure on Fitch's assessment of extraordinary support and, hence, on the IDR of the bank.

Propensity to Provide Extraordinary Support

Fitch believes that AfDB's role in financing the African continent means that the willingness of member states to provide support to the bank remains very high. This was demonstrated by the success of the bank's sixth general capital increase launched in 2010.

African Development Bank
Income Statement

		31 Dec 2016		31 Dec 2015		31 Dec 2014		31 Dec 2013	
	Year End USDm Original	Year End XDRm Original	As % of Earning Assets	Year End XDRm Restated	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets
1. Interest Received	1,277.5	950.3	3.42	820.4	3.48	868.8	3.98	470.2	2.45
2. Interest Paid	800.4	595.4	2.14	492.3	2.09	519.3	2.38	191.1	1.00
3. NET INTEREST REVENUE	**477.1**	**354.9**	**1.28**	**328.1**	**1.39**	**349.5**	**1.60**	**279.1**	**1.46**
4. Other Operating Income	39.9	29.7	0.11	(17.8)	(0.08)	(25.9)	(0.12)	5.6	0.03
5. Other Income	15.1	11.2	0.0	28.5	0.1	6.0	0.0	11.9	0.1
6. Personnel Expenses	358.5	266.7	0.96	250.7	1.06	295.5	1.35	111.0	0.58
7. Other Non-Interest Expenses	(170.2)	(126.6)	(0.46)	(119.6)	(0.51)	(164.7)	(0.75)	6.7	0.03
8. Impairment charge	91.1	67.8	0.2	65.4	0.3	18.0	0.1	41.1	0.2
9. Other Provisions	(0.3)	(0.2)	0.0	(0.4)	0.0	(0.7)	0.0	(8.4)	0.0
10.PRE-DERIVATIVE OPERATING PROFIT	**252.9**	**188.1**	**0.68**	**142.7**	**0.61**	**181.5**	**0.83**	**146.2**	**0.76**
11. Net gains / (losses) on non-trading derivative instruments	(91.4)	(68.0)	-0.2	(49.5)	-0.2	(29.8)	-0.1	34.1	0.2
12. POST-DERIVATIVE OPERATING PROFIT	**161.4**	**120.1**	**0.43**	**93.2**	**0.40**	**151.7**	**0.70**	**180.3**	**0.94**
13. Other income and expenses	(127.7)	(95.0)	-0.3	(124.0)	-0.5	(120.0)	-0.5	(107.5)	-0.6
14. NET INCOME	**33.7**	**25.1**	**0.09**	**(30.8)**	**(0.13)**	**31.7**	**0.15**	**72.8**	**0.38**
15. Fair value revaluations recognised in equity	(268.2)	(199.5)	-0.7	136.8	0.6	(73.3)	-0.3	116.6	0.6
16. FITCH'S COMPREHENSIVE NET INCOME	**(234.4)**	**(174.4)**	**(0.63)**	**106.0**	**0.45**	**(41.6)**	**(0.19)**	**189.4**	**0.99**

African Development Bank
Balance Sheet

		31 Dec 2016		31 Dec 2015		31 Dec 2014		31 Dec 2013	
	Year End USDm Original	Year End XDRm Original	As % of Assets Original	Year End XDRm Restated	As % of Assets Restated	Year End XDRm Original	As % of Assets Original	Year End XDRm Original	As % of Assets Original
A. LOANS									
1. To / Guaranteed by Sovereigns	16,179.9	12,036.2	40.49	9,948.0	39.25	9,562.1	41.66	9,036.8	43.04
2. To / Guaranteed by public institutions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	4,452.5	3,312.2	11.14	3,122.4	12.32	3,085.7	13.45	2,549.0	12.14
4. Trade Financing Loans (memo)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	337.9	251.4	0.85	201.8	0.80	151.3	0.66	145.1	0.69
TOTAL A	**20,294.4**	**15,097.0**	**50.79**	**12,868.6**	**50.77**	**12,496.5**	**54.45**	**11,440.7**	**54.49**
B. OTHER EARNING ASSETS									
1. Deposits with Banks	980.0	729.0	2.45	1,189.3	4.69	244.0	1.06	195.1	0.93
2. Securities held for Sale & Trading	7,351.0	5,468.4	18.40	3,328.7	13.13	3,630.7	15.82	2,816.1	13.41
3. Investment Debt Securities - (incl. other invest.)	6,090.9	4,531.0	15.24	4,004.3	15.80	3,712.1	16.17	3,193.4	15.21
4. Equity Investments	967.1	719.4	2.42	703.3	2.77	596.8	2.60	525.0	2.50
5. Derivatives (incl. Fair-value of guarantees)	1,658.4	1,233.7	4.15	1,454.6	5.74	1,143.7	4.98	986.0	4.70
TOTAL B	**17,047.3**	**12,681.5**	**42.66**	**10,680.2**	**42.14**	**9,327.3**	**40.64**	**7,715.6**	**36.75**
C. TOTAL EARNING ASSETS (A+B)	**37,341.7**	**27,778.5**	**93.45**	**23,548.8**	**92.91**	**21,823.8**	**95.09**	**19,156.3**	**91.24**
D. FIXED ASSETS	**130.5**	**97.1**	**0.33**	**92.8**	**0.37**	**78.8**	**0.34**	**40.7**	**0.19**
E. NON-EARNING ASSETS									
1. Cash and Due from Banks	1,756.7	1,306.8	4.40	1,214.6	4.79	406.7	1.77	954.1	4.54
2. Other	732.0	544.5	1.83	490.2	1.93	640.8	2.79	844.4	4.02
F. TOTAL ASSETS	**39,960.9**	**29,726.9**	**100.00**	**25,346.4**	**100.00**	**22,950.1**	**100.00**	**20,995.5**	**100.00**
G. SHORT-TERM FUNDING									
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	-	n.a.	-	429.3	1.87	n.a.	-
2. Securities Issues (< 1 Year)	5,431.4	4,040.4	13.59	3,727.7	14.71	1,290.0	5.62	2,455.8	11.70
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL G	**5,431.4**	**4,040.4**	**13.59**	**3,727.7**	**14.71**	**1,719.3**	**7.49**	**2,455.8**	**11.70**
H. OTHER FUNDING									
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	21,470.6	15,972.0	53.7	12,128.5	47.9	12,500.8	54.5	9,693.6	46.2
3. Subordinated Debt	849.2	631.7	2.1	593.1	2.3	585.1	2.5	798.0	3.8
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL H	**22,319.8**	**16,603.7**	**55.85**	**12,721.6**	**50.19**	**13,085.9**	**57.02**	**10,491.6**	**49.97**
I. OTHER (Non-Int Bearing)									
1.Derivatives (incl. Fair value of guarantees)	1,157.8	861.3	2.90	1,085.0	4.28	853.7	3.72	971.9	4.63
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	2,172.2	1,615.9	5.44	1,332.3	5.26	1,211.8	5.28	1,246.1	5.94
TOTAL I	**3,330.0**	**2,477.2**	**8.33**	**2,417.3**	**9.54**	**2,065.5**	**9.00**	**2,218.0**	**10.56**
J. GENERAL PROVISIONS & RESERVES	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
L. EQUITY									
1. Preference Shares	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	86,850.5	64,608.1	217.34	64,325.4	253.79	63,706.7	277.59	63,394.7	301.94
3. Callable Capital	(81,447.5)	(60,588.8)	(203.82)	(60,598.1)	(239.08)	(60,268.7)	(262.61)	(60,247.8)	(286.96)
4. Arrears/Advances on Capital	(215.9)	(160.6)	(0.54)	(168.7)	(0.67)	(173.9)	(0.76)	(173.7)	(0.83)
5. Paid in Capital (memo)	5,403.0	4,019.3	13.52	3,727.3	14.71	3,438.0	14.98	3,147.1	14.99
6. Reserves (incl. Net Income for the year)	3,450.6	2,566.9	8.63	2,716.2	10.72	2,721.6	11.86	2,751.6	13.11
7. Fair-value revaluation reserve	242.0	180.0	0.61	205.0	0.81	93.7	0.41	105.3	0.50
TOTAL L	**8,879.7**	**6,605.6**	**22.22**	**6,479.8**	**25.56**	**6,079.4**	**26.49**	**5,830.1**	**27.77**
M. TOTAL LIABILITIES & EQUITY	**39,960.9**	**29,726.9**	**100.00**	**25,346.4**	**100.00**	**22,950.1**	**100.00**	**20,995.5**	**100.00**
Exchange rate		USD1 = XDR0,7439		USD1 = XDR0,7216		USD1 = XDR0,6902		USD1 = XDR0,6494	

African Development Bank
Ratio Analysis

	31 Dec 2016 Year End % Original	31 Dec 2015 Year End % Restated	31 Dec 2014 Year End % Original	31 Dec 2013 Year End % Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	0.38	(0.49)	0.53	1.30
2. Net Income/Total Assets (av.)	0.09	(0.13)	0.14	0.34
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	1.39	1.49	1.76	1.49
4. Cost-Income Ratio	36.43	42.25	40.42	41.34
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	0.4	0.5	0.1	0.3
II. CAPITAL ADEQUACY				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	24.1	20.9	20.0	18.2
2. Equity/Adjusted Total Assets	22.88	26.71	27.51	29.12
3. Equity /Adjusted Total Assets + Guarantees	22.57	26.23	27.31	29.01
4. Paid-in capital / Subscribed capital	6.22	5.79	5.40	4.96
5. Internal Capital Generation after Distributions	(2.7)	1.7	(0.7)	3.4
III. LIQUIDITY				
1. Liquid Assets / Short-term debt	294.47	230.83	439.95	274.63
2. Treasury Assets / Total Assets	40.49	38.42	34.83	34.10
3. Treasury Assets IG + eligible non IG / Total Assets	40.02	33.95	32.96	32.12
4. Unimpaired Trade Financing Loans / Total Assets	n.a.	n.a.	n.a.	n.a.
5. Liquid Assets / Total Assets	40.02	33.95	32.96	32.12
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	3.7	4.1	3.1	2.9
2. Loan Loss Reserves / Gross Loans	1.6	1.5	1.2	1.3
3. Total reserves / Gross Loans, Equity Investment & Guarantees	1.5	1.4	1.1	1.2
4. Loan Loss Reserves/Impaired Loans	44.2	37.3	38.1	43.9
V. LEVERAGE				
1. Debt/Equity	312.52	253.86	243.53	222.08
2. Debt/Subscribed Capital + Reserves	30.65	24.46	22.26	19.54
3. Debt/Callable Capital	34.07	27.14	24.57	21.49
4. Net Income + Interest Paid/Interest Paid	104.22	93.74	106.10	138.10

African Development Bank

Spread Sheet Annex

	31 Dec 2016 XDRm Original	31 Dec 2015 XDRm Restated	31 Dec 2014 XDRm Original	31 Dec 2013 XDRm Original
1. LENDING OPERATIONS				
1. Loans outstanding	15,348.4	13,070.4	12,647.8	11,585.8
2. Undisbursed Loans	6,804.4	4,640.6	3,751.2	4,490.1
3. Approved Loans	6,108.0	4,373.4	3,052.3	1,705.0
4. Disbursed Loans	3,221.7	1,619.2	1,938.5	1,430.8
5. Loan Repayments	1,311.0	927.9	795.6	767.0
6. Net disbursments	1,910.7	691.3	1,142.9	663.8
2. OTHER BANKING OPERATIONS				
1. Equity participations	719.4	703.3	596.8	525.0
2. Guarantees plus LCs and other off BS credit commitments	401.0	444.3	164.1	73.8
3. Total banking exposure (BS & off BS)	16,468.8	14,218.0	13,408.7	12,184.6
4. Growth in total banking exposure (BS and off BS)	15.8	6.0	10.0	6.3
3. SUPPORT				
1. Share of AAA / AA shareholders in callable capital	29.29	29.09	29.14	28.63
2. Share of A / BBB shareholders in callable capital	21.47	21.53	21.42	21.37
3. Share of Speculative Grade shareholders in callable capital	49.24	48.08	49.45	50.00
4. Rating of callable capital ensuring full coverage of net debt	AAA	AAA	AAA	AAA
5. Weighted Average Rating of Key Shareholders	BBB+	BBB+	BBB+	BBB+
4. BREAKDOWN OF BANKING PORTFOLIO				
1. Loans to Sovereigns / Total Banking Exposure	73.08	69.97	71.31	74.17
2. Loans to Non Sovereigns / Total Banking Exposure	20.11	21.96	23.01	20.92
3. Equity participation / Total Banking Exposure	4.37	4.95	4.45	4.31
4. Non Sovereign Exposure (incl. guarantees)/Total Banking Exposure	24.49	26.91	27.46	25.23
5. CONCENTRATION MEASURES				
1. Largest exposure	1,957.0	1,768.0	2,446.2	2,432.0
2. Five largest exposures	5,872.0	4,978.0	7,479.8	7,423.3
3. Largest exposure / Equity (%)	29.63	27.28	40.24	41.71
4. Five largest exposures / Equity (%)	88.89	76.82	123.04	127.33
6. Five largest exposures / Total Banking Exposure (%)	35.66	35.01	55.78	60.92
6. CREDIT RISK				
1. Average Rating of Loans & Guarantees	BB	BB	BB	BB
2. Loans to Investment Grade Borrowers / Gross Loans	37.25	50.42	47.72	49.71
3. Share of Treasury Assets rated AAA-AA	83.00	88.37	91.56	94.21

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.